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# FRANCE

## French supers expand arsenals for '80s fight

By CAROLYN PFAFF

For the 1980s, the big supermarket chains in France, under the leadership of some of the most savvy businessmen, are launching product diversification and expansionary efforts to insure sales growth of at least 15% a year.

In the space of 15 years, France has arrived at the point where 40% of all food distribution is now handled by 3,584 supermarkets and 392 hypermarkets. Of this 40%, the hypermarkets claim to account for 20%. A recent Nielsen report revealed that France is the world champion in this respect. No other country has reached the 40% mark, according to Nielsen figures published in January, 1979.

But the days have gone when the market leader, Carrefour, which had sales last year of FF16 billion ($4 billion) from 45 stores, will see profits increase sometimes as much as 75% a year.

In the last decade Carrefour overtook the competition through several revolutions—the first one being the introduction of generic lines in 1976.

A vast range of generic products are now offered in France—from diapers to hi-fi equipment—in all the big hypermarkets such as Euromarche, Mammouth, Casino, Auchan, Radar, Co-op and many more. In fact, Euromarche at one time looked into the possibility of a generic car.

Another recent Carrefour innovation, quickly copied, was the move onto the international scene. Forty French supermarkets are now operat-

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**Paris kiosk owners** say they no longer have space for the number of magazines and newspapers on sale these days. One of the heavier trafficked kiosks is the one at the Arc de Triomphe.

## Artful cigaret ads confound regulators

Tell a Frenchman that something is forbidden and he considers this a challenge. Tell a French adman that he can't advertise cigarets, except for the packet, and the affair becomes a test of honor and ingenuity.

Both Reynolds Tobacco and Philip Morris, no doubt spurred on by their ad agencies and local affiliates, have caught the French spirit.

And their solution, subtle but simple, to the whole cigaret ad dilemma was: if you can only show the pack in ads why not put something interesting on the pack. If that something has to be the *embleme* or logo, well then, let's play around with the logo.

First Camel, through the French agency Homsy Delafosse, and now Marlboro, through Leo Burnett, have come up with ads that are giving the French powers-that-be a *crise cardiaque* (heart attack).

Is it legal or isn't it? That is the question now being sifted and resifted by the courts. The first judgment on Camel, handed down early in January, said no. The case is now under appeal and as long as there is an appeal, the ads can continue until the case comes up again, maybe at the end of this year.

▪ The Camel ads, which date back to December, 1976, show a cute camel "smoking with delectation," according to the courts of law. Marlboro ads, which began only last November, show an unsmiling cowboy, lighting up a cigaret. It's hard to tell whether he's enjoying it or not.

The enjoyment angle may seem neither here nor there. But in fact it is crucial because, according to the Reynolds judgment, if the subject shows satisfaction, be he a corrupted camel or a poker-faced cowboy, he is judged to be inciting others to sin along with him.

Explaining its decision, the court seemed to agree that the camel was a legitimate trademark but, on the other hand, the camel had no right to smoke. "It's a rather comic battle," says Jacques Leclerc of Reynolds France. "As I interpret the judgment, all we have to do is take the cigaret out of the camel's mouth and we're okay."

▪ Nevertheless, Reynolds is fighting to the bitter end for its rights. "The camel is our registered trademark and we want to keep it on the pack as it is," says Mr. Leclerc.

Reynolds also has another problem. A big proportion of its ads use a camel lighter instead of a cigaret pack, a necessary and effective way of avoiding page limitations, which are Camel's special problem in the market because it was a latecomer.

According to the judge all the Camel ads were against the law and so was the manufacture of lighters in imitation of the pack. Interestingly, the court did not pronounce on the use of the lighter in the ads but instead it ruled against the lighter itself.

This particular ruling comes a bit late in the day in view of the fact that for four years now practically all the big cigaret companies and especially the government monopoly group, SEITA, have been selling lighters like *petits pains*.

▪ The judge based his ruling on article 3 of the Loi Veil, which says there must be no propaganda appearing on any object which could constitute indirect ads for cigarets.

It will be interesting to see how the appeals court interprets this. But a close reading makes it clear that lighters are definitely against the spirit, if not the letter of the cigaret law.

Marlboro has yet to be taken to court but all bets are that it's just a

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# Supers stock up arsenals for '80s

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ing in Spain, Italy, Britain and Brazil, with many more planned.

▪ And this January Carrefour came up with another first, the launching of the no-choice, one-product stores called Ed, modeled on the concept successfully introduced in Germany by Aldi.

On the other hand, Euromarche, part of the Viniprix group, and No. 2 behind Carrefour, has lately been active in the innovation department. It launched the *Vacances Orange*, a generic vacation sold off the hook; in other words a choice of pre-packaged holidays at competitive prices.

The Co-op supermarket group, a powerful association of independent shopkeepers also followed suit, as did the world's second largest bank, France's Credit Agricole, which sells vacation packages in bank offices across the country.

▪ Early this year, Euromarche also announced the creation of a group of stores along the lines of Sears, Roebuck & Co., aimed at selling a vast range of products by catalog: "We are going to create a new concept in stores in France," says Gerard Seul, director-general of Euromarche. (For the record, catalog sale houses exist in France, in particular Le Redoute [FF3.4 billion sales] which specializes mainly in cheaper clothing lines, but there is as yet no equivalent of a Sears, Roebuck-type operation.)

All this activity on the part of the big two—Carrefour and Euromarche—proves one thing: both are expecting tough competition in the next decade. In fact, throughout the '70s there has been a tremendous evolution in the balance of power between the main supermarket chains. It is hard to remember that supermarkets were only introduced in France as late as 1963.

France waited 20 years after the U.S. to go supermarketing but when the first French group in the field, Carrefour, finally decided to build a supermarket at Sainte Genevieve-des-Bois in 1963, the result was a gigantic 3,000-sq.-meter store, guaranteed to blow the mind of the average Frenchman accustomed to buying all his goods in small local shops.

▪ Carrefour made a killing and soon competitors moved in, slicing up the country into fiefdoms where each reigned supreme, then spreading out to take on the competition.

The make-or-break power of the hypermarkets is all-important when it comes to certain new product launches. For example, in the disposable diaper market, hypermarkets account for 50% of sales.

When Procter & Gamble's Pampers came into France a year ago, two French disposable diaper makers, Lotus and Peaudouce, responded by introducing their versions of the panty-style diaper with elastic legs. It was argued that only three brands could survive in the crowded field.

▪ The battle for shelf space reached colossal proportions and each company, including the mighty P&G, was obliged to pay significant sums to each distributor to assure space. Payments of FF10,000 every six months were cited. This kind of kickback is a way of life in France.

On the other hand, the hypermarket generic lines often account for a staggering percentage of a company's output. In the economy diaper market, Lotus does 18% under its own name and another 9% for Carrefour. The other French maker, Peaudouce, does 18% in its own right but a big 29% is represented by orders for a variety of hypermarket generic lines.

Obviously, the power of the hypermarkets has always been a source of resentment for the small shopkeeper. And politicians argued that the situation was simply intolerable in a country where the local *commercant* had traditionally been the backbone of the nation.

Finally, in 1973, the pot boiled over. Two things happened: the *loi Royer*, and then the oil crises.

▪ The *loi Royer*, voted in December 1973, was the work of Jean Royer, Minister of Commerce and mayor of Tours. It rigorously limits the creation of all new supermarkets of more than 1,000 sq. metres. Each request for a new site must now be submitted to a board comprised of consumers, shopkeepers and local officials.

After 1973, the number of new hypermarkets constructed has dropped substantially, to 32 in 1977 and down to 18 in 1978.

Also, after the oil crisis, the French, who traditionally spend more on food than any other nation in Europe, began cutting back. At the same time the country was in the grip of romantic socialist and ecological passions with the press arguing that the end of capitalism was near.

▪ As Etienne Thil, commercial director of Carrefour, points out: "What had once seemed marvelous to the French became banal. Enormous parking lots hours till 10 at night, a choice of 350,000 articles with 15% off the usual price, all this was taken for granted or actively attacked by ecologists."

But despite sometimes violent criticism from the left, the clientele of the supermarkets has continued to climb, not as quickly as before but steadily.

Nevertheless, the big supermarket chains felt the pinch and their answer was to start buying up existing stores no matter where, absorbing independents and slashing prices—13% is the average markup. All felt they must keep growing or perish.

▪ As far as Carrefour was concerned, the *loi Royer* worked superbly in its favor. With its already established 40 *hypermarches*, brilliantly located, all operating smoothly across the country, and the competition obliged to wait for years to get construction, Carrefour was sitting pretty.

Today, Carrefour turnover is still double that of its nearest rival. The 10 Carrefour hypermarkets in the Paris region alone account for FF4 billion.

But slowly other groups have been gaining in strength.

One of the major problems now has become the cost of transporting goods. For example, a supermarket which can take 25 tons of peanut oil in a single load at one time will pay 25 cents per kilo whereas a one ton order will cost 60 cents. This rise in transportation costs is a handicap for Carrefour, which has always favored decentralization and thus has no warehouses capable of storing big loads.

Casino, on the other hand, has not only warehouses but factories to condition certain products. Says Jean Pierre Gerard, head of Casino: "Thanks to our special setup we deliver only complete loads, programmed by computer."

But the chain best placed to profit from the delivery squeeze is Promodes in Normandy. The group, originally wholesale, owns a chain of depots across its territory. "A truck should never have to travel more than 150 kilometers a day or it's too expensive," says Paul Louis Halley of Promodes.

### Advertising's influence

In the realm of advertising and promotion, by far the biggest spenders are Carrefour, Euromarche and Mammouth, in that order.

As a group, hypermarkets are No. 1 in the breakdown of ad expenditures by category with FF985 billion spent in 1978. Ad spending on food alone was FF755 billion the same year.

All this ad money has to be divided up between the radio, press and billboards. Television has always been banned in order to protect the small shopkeeper. In fact, general retailers are so heavily into radio that it assures 25% of radio's total income each year.

Between the big duo, Carrefour and Euromarche, there is a marked difference in ad strategy. Carrefour, through RSC&G and now Impact FCB, favors the press and often runs national image campaigns while Euromarché with Createurs Associé prefers radio and favors information spots about prices and weekend bargains.

However, as Etienne Thil of Carrefour points out sadly: "Tests prove that the public makes little differentation between the various *hypermarches*."

This March, Carrefour will come out with a completely new image campaign using photos in the style of David Hamilton and a 'gentle' message, "the opposite of hard sell," says Patrick d'Elme, pr director for Carrefour. Radio will be abandoned in favor of magazines and billboards. The campaign will be worth FF15,000,000, not counting the regional effort. #

## Sales of top 15 supers

(FF000,000/FF1 = $0.25)

| | '78 sales | % sales change '77/78 |
|---|---|---|
| Carrefour | 14,522 | +16.4% |
| Casino Guichard Perrachon | 7,294 | +15.3 |
| Promodes | 6,838 | +43.7 |
| Viniprix | 6,335 | +14.7 |
| Radar | 6,039 | +13.6 |
| Auchan | 5,917 | +32.1 |
| Comptoirs Modernes | 4,289 | +57.1 |
| Euromarche (Viniprix) | 4,099 | +30.2 |
| Docks de France | 3,825 | +15.7 |
| Cedis (Mammouth) | 3,466 | +13.8 |
| Codec Una | 3,184 | +18.0 |
| Cofradel | 2,935 | +12.8 |
| Felix Potin | 2,636 | + 3.4 |
| La Ruche Picarde | 2,093 | +24.3 |
| Union des Co-op de Lorraine | 1,952 | – 0.2 |

### Leading Supers' ad spend in '78

| | Press | Radio | Total Advertising* |
|---|---|---|---|
| Carrefour | 33,152 | 15,236 | 49,519 |
| Euromarche | 15,797 | 33,048 | 48,845 |
| Mammouth | 25,431 | 30,435 | 45,865 |
| Casino | 25,136 | 5,184 | 31,320 |

*Retailers in France, where the small shopkeeper still has the upper hand, cannot advertise on tv.

## Supermarket integration

**Carrefour** is the no. 1 group and owns an important minority interest in Castorama and California, stores specializing in do-it-yourself equipment for the homeowner; also a growing foreign network and the new single-product Ed group in Paris (in association with Radar).

**Viniprix-Euromarche.** Viniprix owns a number of small-and medium-sized superettes operating under its own name. The group controls the boutique chains, Beaujolaise, Saveco and Vegaprix.

**Casino Guichard Perrachon** has supermarkets, specialty shops and a chain of 50 cafeterias.

**Promodes** owns the hypermarkets Continent, the supermarkets Champion and the Normandy stores of Goulet-Turpin and Ami; in the Aquitaine (Bordeaux area) it has Eco Union and Etoile. Also a franchise system for the group Shopi and Banco and 12 cafeterias under the Presto sign.

**Docks de France** is the wholesaler for Paridoc which in turn controls the important hypermarkets Mammouth. It recently took over Cofradel.

**Radar**, like Viniprix, has small- and medium-sized superettes of varying sizes. Its most recent coup was the purchase of Paris France which owns the department stores Dames de France, and in Paris, the department store Trois Quartiers.

**Edouard Leclerc, Intermarche** and **Coop** supermarket chains. Leclerc and Intermarche operate uniquely on the franchising system and keep their stores among the most economical in France. There is also a popular growing trend toward shopkeepers cooperatives which accounted for FF20 billion ($5 billion) in sales in 1979. Codec-Una moved up from FF3 billion to FF8 billion in one year, reflecting the number of new shopkeepers who decided to ally themselves with the group. #